ABSTRACT

Objective: The evolution of digital ecosystem has led to highly dynamic developments in buying and selling transactions. A noteworthy recent phenomenon is the objection from Micro and Small Enterprises (MSEs) in Indonesia concerning the upsurge in cross-border trade through e-commerce and social commerce, posing a significant threat to local businesses. Notably, the Ministry of Cooperatives and SMEs (KemenKopUKM) is proposing a revision of regulations related to trade via electronic systems, aiming to incorporate price limits for imported products. Alongside the challenge posed by foreign entrepreneurs, the quality of domestic MSE products is a major concern, hindering their ability to compete with imported counterparts. Thus, it is imperative to enhance their competitiveness.

Methods: This research employs dogmatic legal research methods, meticulously analyzing and evaluating legal regulations pertaining to MSEs.

Conclusions: The research found that cross-border trade is now an unavoidable reality, necessitating ongoing efforts to enhance the protection and capacity of domestic MSEs. A key approach to safeguarding MSEs involves exerting control over imported products, currently subject to minimal supervision in e-commerce and social commerce. Additionally, enhancing product standards can significantly elevate the quality and appeal of MSEs’ offerings, ultimately boosting their competitiveness.

Keywords: protection, capacity, MSEs, product standardization, E-Commerce.

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RESUMO

Objetivo: A evolução do ecossistema digital conduziu a desenvolvimentos altamente dinâmicos nas transações de compra e venda. Um fenômeno recente digno de nota é a objeção das Micro e Pequenas Empresas (PME) na Indonésia sobre o aumento do comércio transfronteiriço através do comércio eletrônico e do comércio social, que representa uma ameaça significativa para as empresas locais. Nameadamente, o Ministério das Cooperativas e PME (KemenKopUKM) propõe uma revisão da regulamentação relativa ao comércio através de sistemas eletrônicos, com o objetivo de incorporar limites de preços para produtos importados. A par do desafio colocado por empresários estrangeiros, a qualidade dos produtos nacionais MSE é uma grande preocupação, dificultando a sua capacidade de competir com os seus homólogos importados. Assim, é imperativo aumentar a sua competitividade.

Métodos: Esta pesquisa emprega métodos de pesquisa jurídica dogmática, meticulosamente analisando e avaliando regulamentos legais relativos aos MSEs.

Conclusões: A investigação concluiu que o comércio transfronteiras é agora uma realidade inevitável, exigindo esforços contínuos para reforçar a proteção e a capacidade das PMEs nacionais. Uma abordagem fundamental para salvaguardar as PME consiste em exercer controlo sobre os produtos importados, atualmente sujeitos a uma supervisão mínima no comércio eletrônico e no comércio social. Além disso, a melhoria dos padrões dos produtos pode elevar significativamente a qualidade e a atratividade das ofertas das PME, aumentando, em última análise, a sua competitividade.

Palavras-chave: proteção, capacidade, MSEs, padronização de produtos, E-Commerce.

1 INTRODUCTION

The relentless evolution of technology and ongoing waves of innovation have profoundly impacted every facet of our lives. One pivotal aspect of this progress is the internet, a remarkable technological advancement that has significantly transformed how we disseminate information, trade goods, and offer services. The internet's presence has revolutionized long-distance communication, rendering it faster, more convenient, and cost-effective. Moreover, it has catalyzed a paradigm shift towards a borderless world, effectively erasing boundaries that once constrained the openness of information, trade dynamics, and business competition. This emergence of a borderless world is intrinsically tied to the phenomenon of globalization, where the seamless flow of goods, services, capital, and information across national borders intertwines our global community (Ceglowski, 1998). In the era of globalization, the internet is used by the business world as a means to market their products, giving rise to an electronic trading activity known as electronic commerce (e-commerce).
E-commerce was born as a result of rapid technological developments combined with economic progress (Palinggi, Sandryones; Limbongan, 2020). E-commerce encompasses all types of trade transactions, encompassing both goods and services, facilitated through electronic means such as the internet. Simply put, e-commerce can be defined as the process of buying and selling supported by an electronic system (Nasution, 2019). In 2019, Indonesia held the top rank globally in e-commerce value growth, boasting an impressive 78% increase (Kominfo, 2019). The remarkable growth of e-commerce in Indonesia is further evidenced by a Bank Indonesia report, revealing that during the first semester of 2022, the total value of e-commerce transactions surged to IDR 227.8 trillion, reflecting a notable 22.1% increase compared to the previous year’s period (Bidara Pink, 2022). This trend underscores the promising economic potential of e-commerce, emphasizing the need for its optimal utilization by business entities, particularly Micro and Small Enterprises (MSEs).

The Indonesian government has made various efforts to encourage MSEs to take advantage of e-commerce. One such effort is the initiation of the “MSMEs Go Online” program. This strategic program aims to enhance the adaptability of Indonesian digital MSEs to evolving technological landscapes, enabling them to broaden their market reach and product marketing. The primary platform for conducting e-commerce transactions is through electronic markets, often referred to as marketplaces. These online spaces serve as a meeting point for buyers and sellers, facilitating a wide array of transaction types (Turban, 2015). In trading activities, marketplaces significantly enhance transaction efficiency by offering real-time information and a range of supporting services, ensuring swift and seamless transaction execution. Additionally, marketplaces offer several other advantages, including minimizing the time and costs associated with information search for buyers, enabling market participants to trade from diverse locations online, and facilitating transactions at any time and from anywhere.

Well-established marketplaces with significant popularity specialize in offering foreign or imported products. It’s not uncommon to come across listings within these marketplaces bearing the label “sent from abroad”, indicating cross-border trade activities. Several marketplace platforms extend opportunities for international sellers to establish online storefronts, contributing to the influx of imported goods into Indonesia. In 2021, a notable trend emerged in Indonesian society known as the “Mr. Hu” phenomenon. Every item ordered from China through platforms like Shopee appeared to
originate from an entity named Mr. Hu, leading to the birth of the hashtag “Foreign Sellers Kill UMKM.” The reaction stemmed from concerns that imported products were having a detrimental impact on Indonesian Micro and Small Enterprises (MSE) products. Most recently, the phenomenon of MSEs competing with imported products also occurred when social commerce, which is currently developing, was protested by various MSEs because they thought it would kill local products.

The Indonesian Institute of Sciences (LIPI) recently conducted a comprehensive survey involving 1,626 online buyers and sellers across Indonesia. The survey found that the main reason marketplace users prefer to buy imported products is because the products are rare or hard to find in Indonesia and the prices are relatively cheaper than local products (Nugroho, 2019). Naturally, this preference sparked concerns among local business players, particularly MSEs, fearing a decline in their products’ competitiveness. President Joko Widodo also expressed apprehension regarding the overwhelming presence of imported products on Indonesian online shopping platforms. Consequently, it becomes imperative to guide the Indonesian populace towards prioritizing products from domestic MSEs rather than depending excessively on imports. However, this direction must be accompanied by a realization that fostering loyalty towards local products necessitates a balance between high-quality domestic offerings and competitive pricing. One effective strategy to enhance the competitiveness of MSE products is the implementation of standardized practices.

Currently, the challenge lies in the ability of MSE products to compete with similar offerings from highly industrialized countries like China, Taiwan, and Singapore, given the disparity in the sophistication of their domestic industries. Adding to this dilemma is the fact that even if Indonesian MSE products meet required standards, they often struggle to compete due to higher pricing. Moreover, a prevailing belief among many MSEs is that standardization primarily serves larger corporate entities, leading to their limited engagement in the process. This hampers the overall participation of MSEs in standardizing their products. Addressing this issue necessitates streamlining the standardization and certification procedures essential for MSEs to penetrate the global market. Simplifying the standardization of MSE products through integrated processes can mitigate challenges tied to inadequate knowledge about export-grade product standards and the comparatively high costs associated with obtaining standards and certifications for MSEs.
2 LITERATUR REVIEW

In a world where global economic growth is continually advancing toward free trade, Indonesia is compelled to fortify its national competitiveness. The enhancement of Indonesia's domestic product competitiveness is closely intertwined with the mandate articulated in Law No. 20/2014 on Standardisation and Conformity Assessment, which aims to prepare national products for global competition. This boost in product competitiveness is achieved through the application of standards, substantiated by product certificates. Basically, standardization represents one of the methods economic actors can adopt to elevate the quality and added value of their products. According to the definition offered by the International Organization for Standardization (ISO), standards are a set of provisions that establish requirements, specifications, guidelines, or characteristics, all contributing to the assurance that materials, products, processes, and services align with their intended objectives (ISO/IEC Guide, 2004). Such standards are believed to promote the alignment of technical specifications across products and services, foster a more efficient and inclusive industry, and eliminate various barriers in international trade. Furthermore, the establishment of standards provides consumers with the confidence that products are guaranteed to be safe.

To enhance the competitiveness of domestic products, the Standardisation and Conformity Assessment Law empowers the Indonesian National Standardisation Agency (BSN) to guide Micro, Small, and Medium Enterprises (MSMEs) in adopting industry standards. MSMEs play a pivotal and strategic role in Indonesia’s economy. Not only do they contribute to economic growth, but their presence significantly influences domestic labor absorption, thereby bolstering Indonesia’s overall economic stability (Gandhi, 2021). Consequently, the optimization of efforts to enhance the competitiveness of national products hinges on initiating these steps through the empowerment of MSMEs themselves. A key strategic facet in this developmental process is the elevation of product quality among MSMEs through the adoption of standardization measures.

Standardization serves as a comprehensive assessment method to ascertain whether a product complies with specific processes, systems, and requirements. This entails a range of activities, including testing, inspection, certification, and accreditation. The practice of standardization yields a crucial outcome by ensuring uniformity in product performance and quality. For instance, standardizing a product fosters healthy market competition, as various companies can manufacture and sell similar items. It also
significantly influences consumer decision-making when selecting a product, as consumers routinely compare the quality of comparable offerings. Moreover, the application of product standards to Micro, Small, and Medium Enterprises (MSMEs) eventually leads to product certification. In Indonesia, this is evident through the affixing of an Indonesian National Standard (SNI) certificate or conformity mark on the product. This certification is regarded as a pivotal element of the standardization policy, serving to safeguard consumer interests by ensuring product quality and nurturing a competitive business environment. Possessing such certification becomes a cornerstone for the long-term survival and competitiveness of MSMEs. Product certification not only protects consumers but also guarantees the quality of industrial goods and fosters a safe work environment (Meyilani, 2015). In the other hand, standardization enhances product quality, leading to successful commercialization and elevated product competitiveness. Furthermore, quality standardization plays a key role in upholding consumer trust in the food safety in the manufacturing process, ultimately promoting sustainability, excellence, and competitiveness (Muhafidhah, Novie; Chikmawati, 2015).

On a global scale, standardization can be said to be the benchmark of trade, especially in import-export activities. This is because every country often requires prior testing of every item to be exported or imported. For example, within the scope of the ASEAN Economic Community (AEC), there is a definite and uniform standard, so that products from each country can enter Indonesia, as well as Indonesian products can enter various ASEAN countries (Yuanitasari, 2018). Standardization efforts in the AEC are intended to facilitate and protect the import and export of locally manufactured products, enabling them compete with other countries’ products. the values of globalization remain the benchmark that underlies it. The values of globalization integrated into the AEC 2015 framework can be summarized as follows (Kusumaastuti, 2018).

a. Product quality of goods and services.
b. Quality of human resources who have superior competence and professionalism.
c. Quality management that applies standardized systems and modern values that prioritise efficiency, effectiveness, and transparency.
d. Mobility of money, goods and people that is free of barriers (non traffic) and borderless.
e. Focus on the strength of national competitiveness (quality of goods, services, and people).

In Indonesia, there are regulations that govern local product standardization efforts, ranging from general to specific to certain groups. This is an effort to increase the competitiveness of domestic products. The regulations include the following.

a. Law No. 20/2014 on Standardisation and Conformity Assessment (Law 20/14)

Regulations pertaining to product standards in Indonesia have their origins in Government Regulation No. 102/2000, which initially laid the foundation for national standardization. This framework later underwent a significant transformation through the enactment of Law 20/14, ultimately evolving into the regulatory structure governing product technical standards in Indonesia. The foremost national standard within Indonesia is the SNI (Standard Nasional Indonesia), which is developed through a collaborative effort between technical committees and the National Standardization Agency (BSN). According to the definition provided by Law 20/14, a standard encompasses technical specifications, procedures, and methods established through consensus among all relevant stakeholders, including government entities and international bodies. These standards address critical aspects such as safety, security, health, environmental concerns, scientific and technological advancement, as well as lessons learned from past and anticipated future developments, all with the overarching goal of maximizing benefits. Standardization denotes a systematic process that encompasses the planning, formulation, establishment, implementation, enforcement, maintenance, and oversight of standards, fostering cooperation among all stakeholders to ensure orderly and effective standardization practices.

As formulated in Law 20/14, standardization plays a pivotal role in the quest for enhanced quality assurance, supporting the advancement of national competitiveness, fostering healthy business competition, and bolstering technological innovation capabilities. This is considering that the rapid development of the global economy seems to force every business actor to remain adaptive in responding to any changes (Murwadji, 2018). Moreover, standardization is heralded for its potential to augment certainty and streamline trade transactions, both domestically and internationally, in the realm of goods and services. These objectives, enshrined in the regulations, underscore that effective
standardization can substantially diminish trade barriers. In this era characterized by globalization, the international community is committed to eliminate potential barriers that may impede market access for the exchange of goods and services. By adhering to standardized practices, businesses can readily identify and apply established benchmarks, thereby igniting a boost in the inherent competitiveness of their products.

In Indonesia, the implementation of SNI under Law 20/14 involves its formulation by a technical committee and its determination by the National Standardization Agency (BSN). To ensure alignment with international standardization practices, SNI is developed in accordance with the Code of Good Practice set forth by the World Trade Organization, as follow (Badan Standarisasi Nasional, 2023):

1) **Openness.** This principle underscores the importance of inclusivity, ensuring that the standardization process remains open to the participation of all stakeholders in the development of SNI.

2) **Transparency.** A transparent standardization process must provide accessible information regarding the SNI’s development stages. This transparency enables all stakeholders to closely track the SNI’s progress, from initial programming to final determination.

3) **Consensus and Impartiality.** Ensuring that all stakeholders can express their views and receive equal treatment is the essence of this principle, emphasizing fairness and impartiality in the standardization process.

4) **Effectiveness and Relevance.** This principle is centered on aligning SNI development with market demands and needs while maintaining harmony with prevailing laws and regulations, thus striving for effectiveness and relevance.

5) **Coherence.** It requires SNI standards to be consistent and adaptable to international standards, thereby preventing domestic market development from becoming isolated from global market activities.

6) **Development Dimension.** This principle underscores that standardization, in its pursuit of enhancing national competitiveness, must always consider the public perspective and national interests, promoting a holistic approach to development.

By adhering to these provisions in the implementation of standardization, it is hoped that the intended objectives of product standards can be effectively achieved, ultimately leading to economic benefits for national businesses.
Nevertheless, it is essential to acknowledge that the character of standardization, as defined in Law 20/14, is voluntary and thus cannot be obligatory for all economic entities. As outlined in Article 21 of Law 20/14, SNI may be voluntarily adopted by business entities, ministries, non-ministerial government bodies, and local governments. However, exceptions exist for matters concerning safety, security, health, or the preservation of environmental functions, where compliance is mandatory. Given this voluntary framework, the responsibility for promoting the adoption of standardization among business entities becomes critical. This can be achieved through educational and promotional efforts aimed at raising awareness about the imperative of implementing standards and the enduring advantages they offer for business continuity.

This is in line with the mandate contained in Law 20/14 Article 53 paragraph (1) which entrusts BSN with the responsibility of collaborating with ministries, non-ministerial government bodies, and local governments to provide guidance to businesses and communities regarding the implementation of SNI. To delve deeper, Article 53, paragraph (2) specifically mandates the provision of guidance to Micro and Small Enterprises (MSEs), primarily through certification financing facilities and certification maintenance. Based on these provisions, it can be concluded that the government-regulated standardization program encompasses initiatives aimed at enhancing the competitiveness of products, even within the smallest economic strata of society. The guidance program encompasses a spectrum of activities, including consultation, education, training, popularization of standardization and conformity assessment, and the cultivation of a standard culture among MSE actors. Consequently, the comprehensive aim is to realize the aspiration of implementing inclusive standardization for all economic actors in Indonesia.

b. Government Regulation Number 7 of 2021 on Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises (PP 7/21)

PP 7/21 is a derivative regulation of the Job Creation Law which was passed at the end of 2020. This government regulation is said to be one of the regulations that is an initial milestone in ensuring certainty in the development of cooperatives and MSMEs through enhancing capacity and competitiveness. PP 7/21 encompasses a spectrum of provisions, including streamlined business establishment, licensing, enhanced access to financing, improved connectivity to supply chains, and broader market reach for
cooperatives and MSMEs. These facilitated aspects are intricately woven into an array of policies, collectively designed to enhance the capacity and competitiveness of these businesses. Among these provisions, there is a particular emphasis on standardization facilities, representing a tangible form of support and facilitation provided by the government to MSEs who have acquired a Business Identification Number (NIB).

This signifies the government’s commitment to stimulating the growth of MSEs while concurrently ensuring their adherence to legal requirements, which carry significant roles and functions. Upon fulfilling the business licensing requirements, MSE actors, as a testament to their commitment to environmental compliance, can further demonstrate their credibility. In addition to this, MSEs with NIB acquisition enjoy a multitude of other benefits, including government-facilitated assistance. As articulated in Article 41, paragraph (2), this assistance is aimed at enhancing knowledge pertaining to the implementation of SNI and certification of halal product guarantees for newly NIB-registered MSEs, or assisting them in fulfilling the requirements for standard certificates and permits. The provision of such aid encompasses technical guidance, consultation, and training sessions.

The government’s support for MSEs seeking to register their businesses extends beyond mere assistance facilities. According to Article 45, paragraph (3) of PP 7/21, it underscores the provision of coaching activities throughout the process of obtaining single permits, standard certificates, and/or permits for MSEs. Furthermore, the government goes a step further by exempting all payments typically associated with these processes. As stipulated in Article 46, the registration of a single permit, the acquisition of standard certificates and/or permits, and even the renewal of halal product guarantee certificates for MSEs are entirely fee-free. These progressive policies stand as a tangible manifestation of the government's unwavering commitment to enhancing the competitiveness of local products by optimizing their quality.

The facilitation arrangements outlined in PP 7/21 primarily focus on opening up export markets for Micro and Small Enterprises (MSEs). The implementation of standardization and certification processes for MSE products is poised to enhance the credibility and competitiveness of these products on both national and international fronts. Additionally, the production processes themselves will naturally be influenced by the implemented standards. Article 71, paragraph (3), elucidates that the journey towards product standardization and certification, aimed at expanding the export market, involves
a continuous training and mentoring phase. The incorporation of standards into product processing directly impacts product quality, ensuring a consistent and measurable production process. Furthermore, the government extends its support through coaching and oversight facilities to guide MSEs in each standardization process.

Similar to the approach taken in the implementation of standardization under Law 20/14, PP 7/21 does not impose mandatory compliance with these standardization provisions upon business actors. Instead, the government adopts an outreach strategy to underscore the significant impact that standardization can have on expanding market opportunities for both products and businesses. Once business actors recognize the importance of these standards, the government proceeds to provide assistance and guidance for them to navigate the standardization process. Furthermore, under the policies outlined in PP 7/21, the government has made efforts to streamline the issuance of business permits, standardization certificates, and halal product guarantee certifications into a single licensing process. This approach indirectly establishes a mechanism for ensuring uniform quality across all business actors.

The challenge of implementing product standardization is inherently dynamic. The successful integration of a unified licensing system, designed to facilitate standardization, hinges on the awareness of business actors regarding their legal obligations. If business actors are not aware of the necessity of registering their businesses and obtaining the requisite permits, the benefits and conveniences offered by product standardization policies remain inaccessible. Consequently, it becomes imperative for the government and business actors to actively engage in communication regarding the implementation of product standardization efforts in Indonesia. This collaborative effort is essential to realize the outlined objectives, particularly the expansion of Indonesia’s export market.

3 RESEARCH METHOD

The research method employed in this paper is a descriptive analytical approach with a legal dogmatic perspective. Legal dogmatic research focuses on library-based legal research, involving the examination of library materials or secondary data. The dogmatic approach involves scrutinizing and interpreting theoretical aspects related to principles, concepts, doctrines, and legal norms pertaining to micro and small enterprises (MSEs), marketplaces, and product standardization. The research specifications were descriptive
and analytical, were used to gain a comprehensive understanding of the status of MSEs and electronic trading systems, as well as the enforcement of relevant laws within society.

4 RESULT AND DISCUSSION
4.1 THE IMPLEMENTATION OF STANDARDIZATION PROGRAM FOR MICRO, SMALL ENTERPRISE (MSE) PRODUCTS

Indonesia, as a member of the ASEAN community, actively participates in the establishment of the ASEAN Economic Community (AEC), a joint economic integration initiative with fellow ASEAN nations. A core objective of the AEC is to enhance the well-being of the ASEAN community by fostering a more dynamic and competitive free market (National Secretariat of ASEAN-Indonesia, 2023). This vision aligns with ASEAN's overarching goal of creating a market that facilitates the free flow for the circulation of goods, services, investments, and more. For Indonesia, this presents both a challenge and an opportunity. To maintain competitiveness within this context, Indonesia must focus on elevating the quality of its products, which necessitates standardization. Standardization in Indonesia is seen as a catalyst, motivating business actors to produce high-quality goods that can successfully penetrate the global market.

Standardization serves as a benchmark for trade and plays a crucial role in enhancing product quality, thereby safeguarding consumers’ rights to access high-quality products. In an earnest endeavor to establish national product standardization, the Indonesian government has established a legal framework through Law No. 20 of 2014 on Standardization and Conformity Assessment. This legislation defines standardization as a systematic process that involves planning, formulation, determination, implementation, enforcement, maintenance, and monitoring of standards. It emphasizes a collaborative approach that engages all stakeholders. One notable aspect of standardization, as outlined in Law No. 20 of 2014, is the establishment of Indonesian National Standards (SNI). These standards, set by the National Standardization Body (BSN), apply within the territory of Indonesia.

The Indonesian National Standard (SNI), established by the National Standardization Body (BSN), serves as a crucial tool for enhancing quality assurance, improving production efficiency, bolstering national competitiveness, and empowering business actors. Its reach extends beyond large industries engaged in export and import activities, encompassing smaller enterprises, particularly Micro and Small Enterprises
(MSEs) that play a significant role in Indonesia’s economy. This significance is evident in the substantial contribution of MSEs to Indonesia’s Gross Domestic Product (GDP), accounting for 61.97% or approximately 8,537 trillion Rupiah (Ministry of Investment, 2023). This phenomenon has notably surged, partly due to the impact of the Covid-19 pandemic, which prompted the proliferation of micro and small businesses as a response to widespread job losses. With the growing number of MSEs and an increasingly global market, competitive advantages have become essential. These advantages are achieved through the delivery of superior, high-quality products.

The National Standardization Body (BSN), tasked with overseeing product standardization, plays a distinctive role in supporting micro-business actors, as outlined in Article 53 of Law No. 20 of 2014. This provision stipulates that BSN provides specialized coaching for micro and small business actors, which includes financing certification and certification maintenance. Despite the importance of standardization, research conducted by the Ministry of Cooperatives and SMEs reveals that many Micro and Small Enterprises (MSEs) are yet to obtain standardization certification. Fiki Satari, the Special Staff to the Minister for Creative Economy Empowerment at the Ministry of Cooperatives and SMEs, underscores the significance of standardization in preparing MSEs to compete both in global and domestic markets (Rahman, 2023). In response to this need, BSN collaborates with various ministries, institutions, and regional governments to offer guidance and facilitation for SNI certification, as mandated by Law No. 20 of 2014. For instance, on the BSN website, there are statistics and data available regarding the progress of SNI implementation, as of September 2022 (as seen in Graph 1).

![Graph 1. Recapitulation of SNI Based on the ICS](source)

Source from National Standardization Agency of Indonesia in 2022
Currently, there is an urgent need for the standardization of product quality, a pivotal requirement given the significance of assuring that products meet the necessary criteria for widespread consumption. Product standardization not only serves as a catalyst for Micro and Small Enterprises (MSEs) to continuously enhance the quality of their products but also empowers consumers by providing them with the means to evaluate their product choices judiciously. Furthermore, the importance of product standardization has also been proven to provide benefits to the economy. Based on research conducted by P. E. Prasetyo, product standardization is proven to increase state revenues, underscoring the competitiveness of the produced goods. For example, standardization in France is able to contribute 25% of the country’s GDP growth, standardization in the UK contributes 13%, while standardization in Canada is able to provide an increase in GDP significantly compared to the period 1981—2004 (Prasetyo, 2017).

The Ministry of Trade actively promotes the capacity of Micro and Small Enterprises (MSEs) to harness standardization and certification in order to enhance the competitiveness of their products. This is achieved through various means, such as targeted outreach and education to MSEs, aimed at imparting a profound understanding of standardization and fostering a positive product image. The Ministry’s substantial role in advancing standardization is exemplified by the People’s Market Revitalization Program, which can change the image of traditional markets to become more qualified and attractive (Panduarsa, 2022). Furthermore, standardization extends beyond mere business considerations, encompassing broader perspectives, such as economic and environmental dimensions. Standardization serves as a national equalizing instrument, ensuring uniformity in various domains. Standardization serves as a national equalizing force, ensuring uniformity in various domains. This multi-faceted approach ultimately translates into public protection, safeguarding consumers through the implementation of these following standards.

a. It serves as a reliable reference for safeguarding the well-being, safety, and security of the general public in their consumption choices.

b. It provides standards of equivalence in trade practices.

Nevertheless, despite the manifold advantages associated with the implementation of standardization, challenges also loom on the horizon. Bambang Prasetya, the Head of BSN, has highlighted a significant hurdle: the cost that many Micro and Small Enterprises (MSEs) grapple with when seeking to attain the Indonesian National Standard (SNI).
Acquiring product standardization can incur expenses ranging from IDR 5 million to IDR 15 million, a substantial portion of which goes into conducting essential laboratory tests. Additionally, Martin Manurung, Deputy Chairman of Commission VI of the House of Representatives, underscores that while the encouragement for MSE products to compete globally is in place, the MSE product market remains predominantly domestic. This persistence of a domestic focus can be attributed to various challenges faced by MSE actors, foremost among them being the problems of achieving product standardization (Media DPR RI, 2023).

To deal with the problems, Enterprises (MSEs), BSN has introduced the SNI Fostering MSE (SNI Bina UMK) program. This program serves as a specialized SNI derivative designed exclusively for MSEs with low-risk products. The primary objective of SNI Bina UMK is to streamline the process of obtaining SNI certification for MSEs. In contrast to the typically high costs associated with regular SNI certification, the SNI Bina UMK program offers a cost-effective solution. It is provided free of charge to MSEs that have registered and acquired a Business Identification Number (NIB) through the Online Single Submission system, as long as their business operations and products fall within the low-risk category. Furthermore, Micro and Small Enterprises that hold an NIB and possess the SNI Bina UMK certification are eligible for guidance and support from relevant Ministries, Non-Ministerial Government Institutions, and Regional Governments. To access this guidance, MSEs with an NIB and the SNI Bina UMK certification should adhere to the stipulated procedures in the single licensing registry within the SNI information system dedicated to Bina UMK.

4.2 STRATEGY FOR PROTECTION AND CAPACITY ENHANCEMENT OF MSES THROUGH FACILITATION OF COMPETITIVE PRODUCT STANDARDIZATION

Indonesian MSE products basically have great potential to be developed. Not only to fulfil the needs of the domestic market, but also to fulfil demand from the global market. MSE actors who want to develop their business in the domestic market to enter the global market certainly need to have the ability to compete. Such competitiveness is important for MSEs to excel in a competitive landscape that places a premium on price, quality, and exceptional service (Buda, 2021). It’s important to note that competitiveness doesn’t just emerge, it requires the support of quality resources.
Improving the competitiveness of Micro and Small Enterprises (MSEs) products can be achieved through the implementation of standards. Before venturing into their target markets, it is crucial for MSEs to gain a comprehensive understanding of prevailing standards and evolving trends in product demand. However, the practical implementation of product standardization for MSEs encounters several hurdles. These challenges encompass limited interest among MSEs in adopting standards, the complexity of the certification process, and the perceived high costs associated with testing and certification, which ultimately inflate production expenses (Susanto, 2017). It is worth emphasizing that the hesitance among MSE actors to pursue certification for their products is not a result of a lack of willingness but is primarily attributed to their constraints. Many MSEs not only struggle to meet the stringent standard requirements but also face a dearth of knowledge regarding the procedures for obtaining product certification. Consequently, promoting the implementation of product standardization by MSEs needs not only advocacy but also the provision of comprehensive support in the form of facilitating MSE product standardization.

With the enactment of Law Number 11 of 2020, which pertains to Job Creation, as well as its subsidiary regulations, notably Government Regulation Number 5 of 2021 regarding Risk-Based Business Licensing and Government Regulation Number 7 of 2021 regarding the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, the government has taken significant steps to streamline the licensing process for Micro, Small, and Medium Enterprises (MSEs). This includes the introduction of a simplified Business Identification Number (NIB) issuance for low-risk MSEs. Additionally, MSEs now have the option to obtain both SNI (National Standardization) and halal certification simultaneously, further promoting ease of access to the market, and granting SNI marks to low-risk MSEs.

In accordance with Presidential Regulation No. 7 of 2021, both the central government and local governments are mandated to extend support to Micro and Small Enterprises (MSEs) that have acquired a Business Identification Number (NIB). This support serves two key purposes: (1) enhancing awareness and understanding among MSEs that have recently acquired a business identification number about the application of Indonesian national standards and the certification guarantee for halal products and (2) assisting MSEs in meeting the requirements for obtaining standard certificates and permits. The assistance provided takes the form of facilitating technical guidance,
consultations, and training. The term “facilitation” is derived from the French “facile” or the Latin “facilis”. both of which convey the essence of making processes more accessible. Therefore, the facilitation of MSE product standardization can be defined as the government’s effort to provide resources and support, with the aim of simplifying the process for MSE actors to adhere to product standardization requirements.

Product standardization plays an important role in enabling MSEs to face current challenges. Standards are documents created with the aim of enabling others to achieve the same level of performance. For example, product standards will stimulate competition in the market as other businesses can produce and sell similar products (Eto, 2019). Standardization offers considerable benefits to MSE actors, including the following (Small Business Standards, 2023).

   a. **Enhanced Competitiveness and Market Access**

   MSEs typically operate with fewer financial and resource advantages compared to larger enterprises. In this context, standards play a vital role in enabling MSEs to compete effectively within the same market. They achieve this by demonstrating product conformity and high quality, thereby instilling confidence in the market. Moreover, standards also serve as evidence of MSEs' compliance with legal and technical requirements.

   b. **Supporting Innovation**

   Standardization serves as a catalyst for innovative MSE products to enter the market. Forward-thinking businesses strategically employ standardization to bolster the acceptance of their products within the market.

   c. **Cost Reduction and Enhanced Efficiency**

   Standards fundamentally simplify component specifications, promoting economies of scale and streamlining maintenance processes. They also ensure distinct product features, guaranteeing consistency and differentiation from other products.

   The ever-evolving global economy’s shift towards market openness and economic integration necessitates Indonesia's ongoing efforts to enhance its national competitiveness. This endeavor to enhance the competitiveness of Indonesian products is intricately linked to the mandate outlined in Law No. 20/2014 on Standardization and Conformity Assessment. The core objective of this law is to boost the competitiveness of national products by adhering to stringent standards, enabling them to effectively vie in the global market. One of the key considerations underscores that standardization serves
as a pivotal instrument for elevating product quality, improving production efficiency, simplifying trade transactions, and fostering a climate of fair and transparent business competition.

The National Standardization Agency, abbreviated as BSN, is a non-ministerial government agency in Indonesia entrusted with the pivotal roles of standardization and conformity assessment. BSN recognizes that Indonesian Micro and Small Enterprises (MSEs) adhering to Indonesian National Standards (SNI) for their products remain notably limited, especially when juxtaposed with the vast number of MSEs, as indicated by data from the Ministry of Cooperatives and MSEs, which tallied up to 65.47 million (Mahdi, 2023). Since its establishment in 2014, BSN has provided support to approximately 1,200 MSEs for SNI implementation. However, out of this number, only 120 MSEs have achieved SNI compliance (Saputro, 2022). The limited adoption of standardization in MSE products stems from its essentially voluntary nature, with exceptions in cases of health, safety, and security products, where SNI adherence is mandatory. The application of standardization remains voluntary unless mandated by specific regulations, leaving BSN without the authority to enforce SNI implementation among MSEs.

Nevertheless, standardisation of MSE products must still be intensively introduced to MSE actors in order to enhance their competitiveness and facilitate their entry into the global market. Aligned with its mandate to promote the implementation of Indonesian National Standards (SNI) for ensuring quality, food safety, and bolstering competitiveness, the National Standardization Agency (BSN) offers comprehensive support to MSEs. This support takes the form of expert guidance on SNI compliance. Moreover, it’s explicitly stipulated in the Standardisation and Conformity Assessment Law that MSEs are entitled to financial assistance for certification and its upkeep. This financial backing is sourced from the State Budget (APBN), effectively mitigating the financial burden on MSEs. This is particularly vital since excessive costs associated with SNI compliance could discourage MSE actors from embracing standardization for their products.

The implementation of product standardisation must then be proven by certification of the products produced by MSEs. This certification process is typically carried out by an impartial third party. The first party refers to an individual or business entity evaluated against predetermined standards, while the second party is a purchaser
or any entity with a vested interest in the initial assessment’s outcome. In Indonesia, the responsibility for overseeing the product certification process falls to a specialized entity known as a Product Certification Body (LSPro). LSPro serves as an independent third-party conformity assessment body, operating a product certification scheme to furnish written assurance that a product, process, or service aligns with established standards and regulations. The appointment of LSPro is made by the National Standardization Agency (BSN). However, the involvement of LSPro in the certification process has given rise to increased costs in the standardization procedure, primarily because it’s conducted by a third party. This scenario poses a financial challenge for MSEs, which often grapple with economic constraints and funding issues.

In response to this, Commission VI of the House of Representatives, responsible for overseeing the field of standardization, conveyed during their working meeting with the Minister of Industry that promoting the standardization of Micro and Small Enterprises (MSE) products should involve collaboration with relevant ministries and institutions. Specifically, the Indonesian Ministry of Industry is urged to extend its support to the National Standardization Agency (BSN) in the quest to standardize MSE products. This assistance from the Ministry of Industry can take the form of making available its extensive laboratory facilities, thereby simplifying and reducing the cost of the standardization process for MSE products. Such collaborative measures underscore the commitment to enhancing the competitiveness and quality of MSE products in Indonesia.

Among the mentoring programs designed to empower Micro and Small Enterprises (MSEs), one standout initiative is the SNI Bina UMKM program. To fully optimize the resources of the National Standardization Agency (BSN) in enhancing the competence of MSEs, BSN has adopted a strategic approach by creating role models and collaborating closely with relevant ministries, agencies, and stakeholders. One such influential collaborator in this endeavor is the Indonesia Innovation Technology Foundation (INOTEK), serving as an incubator institution (Humas BSN, 2021). This illustrates that the facilitation of Micro and Small Enterprise (MSE) product standardization cannot be achieved by a single entity alone; it demands collaborative support. Therefore, this facilitation should not be perceived as a hindrance, but rather as a tool to enhance product quality, ultimately elevating the nation’s competitiveness.
Currently, the government continues to promote the use of domestic products, especially products from MSEs. This commitment aligns with the provisions outlined in Article 54 of Government Regulation Number 7 of 2021, which pertains to the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. This regulation mandates both central and regional governments to proactively safeguard and nurture the competitiveness of MSE products within the domestic market. In line with these efforts, the government is working to accelerate the adoption of domestic and MSE products. As part of this ongoing endeavor, a significant step was taken in March 2022 with the issuance of Presidential Instruction (Inpres) Number 2 of 2022. This instruction focuses on the Acceleration of Increasing the Utilization of Domestic Products and Products from Micro, Small, and Cooperative Enterprises, within the broader context of the National Movement for Celebrating Indonesian Products, especially in the Implementation of Government Procurement of Goods and Services.

Regarding the utilization of Micro, Small, and Medium Enterprises (MSE) products, one key directive outlined in the Presidential Instruction is the appointment of the Minister of Cooperatives and Small and Medium Enterprises. The Minister's role encompasses the following vital responsibilities.

a. Offering guidance to MSEs through the facilitation of support and assistance.
b. Fostering the growth of domestic MSEs to meet the demands for products that may currently lack sufficient production capacity or remain unavailable.
c. Promoting and orchestrating business matchmaking endeavors, facilitating connections between MSEs as suppliers and various ministries, agencies, and local governments as potential buyers.
d. Streamlining the process for the certification of MSE products.
e. Formulating policies and regulations aimed at integrating MSE products into the global supply chain, thereby enhancing their participation on the international stage.

The facilitation of product standardization is expected to have a profound impact on the growth of Micro and Small Enterprises (MSEs). This isn't merely an activity devoid of outcomes; instead, it represents a form of government support that demands full responsibility, both from the government itself and MSE stakeholders. This
responsibility encompasses all phases, ranging from planning and implementation to supervision and evaluation, ensuring a comprehensive approach to standardization facilitation. To preserve the effectiveness of standardization facilitation, it is imperative to identify the MSE stakeholders who will benefit from such support. Based on previous research conducted by Danar A. Susanto and colleagues, four key variables emerge as influential factors that guide MSEs in their consistent adherence to product standards. These factors encompass: (1) MSE commitment, (2) consumer demand, (3) innovation, and (4) sales value (Susanto, 2016). Commitment and innovation are essential for maintaining the ongoing application of product standards. Consumer demand plays a pivotal role in meeting consumer expectations, while increased sales value serves as a motivating force, further propelling MSEs to consistently implement product standardization measures.

Global trade competition remains unstoppable. Foreign products continue to inundate local markets, intensifying the competition faced by domestic products. In this challenging landscape, Micro and Small Enterprise (MSE) actors are compelled to develop and implement strategies that enable them not only to survive but to compete effectively with other market players. One potent tool in this competition is the assurance of high product quality that aligns with standardization requirements. Such quality serves as a vital competitive advantage in the realm of global trade, allowing MSE actors to not only maintain their presence but to thrive in the market.

5 CONCLUSION

Product standardization has evolved into a vital necessity for businesses, spanning from local to regional and global spheres. It serves as a linchpin for enhancing the competitiveness of products emanating from Micro and Small Enterprises (MSEs), allowing them to seamlessly integrate into the global trade network. Within the national legal framework, the promotion of MSE product standardization finds its roots in Government Regulation No. 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. This regulation underscores the government's commitment to equipping MSEs with the knowledge required for implementing Indonesian National Standards (SNI) and obtaining halal product certifications. This support particularly extends to MSEs that have recently acquired their Business Identification Number (NIB) or require assistance to meet the
prerequisites for obtaining standard certificates and permits. Nevertheless, the successful implementation of product standardization beeds collaboration from various stakeholders, including entrepreneurs, the community, and other invested parties. A promising avenue for actualizing product standardization, especially for Digital MSEs, lies in the adoption of a business incubator program. In such a program, the marketplace not only serves as a platform for transactions but also becomes a vehicle for fostering business capacity through government cooperation.
REFERENCES


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